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INTERSTATE COMMERCE COMMISSION

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT, hereinafter referred to as "Lease" entered into this 27th day of December, 1972, by and between AMERICAN FINANCIAL LEASING & SERVICES CO., a corporation organized and existing under the laws of the State of Ohio, with office address 14 East Fourth Street, Cincinnati, Ohio 45202 (hereinafter referred to, together with its assigns, if any, as "Lessor") and DURHAM AND SOUTHERN RAILWAY COMPANY, a corporation organized and existing under the laws of the State of North Carolina, with office address 904 Ramseur Street, P. O. Box 451, Durham, North Carolina 27702 (hereinafter referred to as "Lessee");

WITNESSETH:

IN CONSIDERATION of the premises, the parties covenant and agree as follows:

(1) DEFINITIONS. As herein used:

(a) "Equipment" means the equipment described in the Schedule attached hereto and hereby made a part hereof.

(b) "Acquisition Cost" of the Equipment means an amount which equals the initial cost of the

purchase of said Equipment, plus all other actual costs, expenses, fees and taxes, paid or incurred by Lessor in supplying said Equipment to Lessee for lease hereunder.

(c) "Schedule" means the record attached hereto, executed by Lessor and Lessee, identifying the Equipment by manufacturer, type, model, capacity, serial number, and showing information as to commencement date, term, acquisition cost, rental per period, location, and other applicable details.

(d) "Rental" means the amount of rent payable each period with respect to the Equipment, as set forth on the Schedule.

(e) "Estimated Market Value" for the Equipment, for each period, shall be amounts which bear the same ratio to the Estimated Market Value for the corresponding period set forth in the Exhibit, annexed hereto and incorporated herein by reference and made a part hereof, as the Acquisition Cost of the

Equipment bears to One Thousand Dollars (\$1,000).

These amounts represent the probable future fair market value of the Equipment at various periods, according to the best estimates of Lessor and Lessee.

(f) "Exhibit" represents the attachment containing the Estimated Market Value of the Equipment, from time to time.

(g) "Net Proceeds of Sale" means the net amount received by Lessor after deducting from the gross proceeds of sale of the Equipment all expenses incurred because of the termination of the Lease, with respect to the Equipment, and any amounts for which, if not paid, Lessor would be liable or which, if not paid, would constitute a lien on the Equipment.

(h) "Secured Party" means any financial institution providing funds to the Lessor for the purpose of financing or refinancing the Equipment.

(2) LEASE OF EQUIPMENT. Lessor agrees to lease the Equipment to Lessee and Lessee agrees to lease the same from Lessor, in accordance with the terms and conditions herein contained.

(3) LEASE TERM. This Lease shall be effective from the date it is executed by the parties hereto and shall continue for a period of Fifteen (15) years, terminating on the 27th day of December , 1987. Unless Lessee shall give written notice of termination to Lessor at least Ninety (90) days prior to the end of the initial Lease Term, the Lease Term for the Equipment shall be automatically thereafter extended from month to month until either party gives at least Ninety (90) days prior written notice of termination to the other. If any Term be so extended, either as above set forth, or by mutual agreement of the parties, all provisions of this Lease shall apply during any such extension.

(4) RENTAL PAYMENTS. Lessee shall pay the Rental for the Equipment in Sixty (60) equal installments, with the first installment being due on the 27th day of March , 1973, and like installments being due on the same day of each June, September, December, and March thereafter, the final installment being due on the 27th day of December , 1987 . If any rental payment is not made within Fifteen (15) days after due date, Lessee agrees to pay interest at the rate of Twelve Per Cent (12%) per annum on, and in addition to, all rentals then delinquent, but not exceeding the lawful maximum, if any.

This Lease is a net Lease and the Lessee shall not be entitled to any

abatement of rent or reduction or recovery thereof, including, but not limited to, abatements, reductions or recoveries due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate or the respective obligations of the Lessor or the Lessee be otherwise affected by reason of any defect in or damage to, or loss or destruction of all or any of the Equipment from whatever cause, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease.

(5) ADDITIONAL PAYMENTS BY LESSEE. Lessee agrees that, during the continuance of this Lease, in addition to the rentals herein provided, it will promptly report and pay all taxes, fees, assessments and other governmental charges, including, but not limited to, sales and use taxes, levied or

assessed upon the Equipment or the interest of the Lessee in the Equipment subject to this Lease or any thereof, or upon the use or operation thereof or the earnings arising therefrom and will promptly file all tax returns and pay all taxes, assessments, and other governmental charges levied or assessed against the Lessor on account of its acquisition or ownership of the Equipment or any thereof, or on account of the earnings arising therefrom, excepting only Federal and State income taxes on the net income of the Lessor (but only if such income taxes are not a substitute for, or do not relieve Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse), including, but not limited to, any sales or use taxes payable on account of the acquisition or ownership of the Equipment hereunder; but the Lessee shall not be required to pay the same so long as it shall, in good faith, and by appropriate legal or administrative proceedings contest the validity or amount thereof unless thereby, in the judgment of the Lessor, the rights or interests of the Lessor will be materially endangered. In the event any tax reports are required to be made on the basis of the ownership of the Equipment, Lessee will either make such reports in such manner as to show the ownership of such Equipment by the Lessor or will notify the Lessor of such requirement and will make such reports in such manner as shall be satisfactory to

the Lessor.

(6) IDENTIFICATION MARKS. Lessee will cause each of the items of Equipment to be kept numbered with its identifying number as set out in the Schedule, and will keep and maintain, plainly, distinctly, permanently, and conspicuously marked on each side of said item of Equipment, in letters not less than one inch in height, the name of the Lessor, followed by the words "Owner and Lessor", or other appropriate words designated by the Lessor, with appropriate changes thereof and additions thereto as, from time to time, may be required by law in order to protect the title of the Lessor to the Equipment and its rights under this Lease. The Lessee will not place any Equipment in operation or exercise any control or dominion over the same until such names and word or words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced, or destroyed. The Lessee will not change the number of any item of Equipment except with the consent of Lessor and in accordance with a statement of new number to be substituted therefor, which consent for statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all business offices where this Lease shall have been filed, recorded or deposited.

Except as above provided, the Lessee will not allow the name

of any person, association or corporation to be placed on any item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with names or initials or other insignia customarily used by the Lessee on railroad equipment used by it of the same or a similar type for convenience of identification of the right of the Lessee to use the Equipment under this Lease.

(7) USE OF EQUIPMENT. Equipment will be kept by Lessee in its possession and control and will be used by Lessee, and by all persons operating same, with due care and in conformity with all applicable laws, regulations and other requirements of any insurer or government. Lessee shall use every reasonable precaution to prevent loss or damage to the Equipment from fire and other hazards.

Lessee shall keep the Equipment free from all liens, charges and encumbrances. This Lease and the interest of Lessee hereunder shall not be assigned, alienated, pledged or hypothecated voluntarily by Lessee, or by operation of law, nor shall Lessee permit the Equipment to come into the possession of any third person.

(8) MAINTENANCE AND CONTROL.

(a) Lessee shall, at its sole cost and

expense, keep and maintain the Equipment in first-class working order, repair and appearance in order that the same shall continue to fulfill its intended function or use. Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the Interstate Commerce Commission and the interchange rules of the Association of American Railroads) with respect to the use, maintenance and operation of the Equipment subject to this Lease.

(b) Lessee will not, without the prior written consent of Lessor, make or perform any alteration to the Equipment (other than changes required to be made in order to comply with applicable laws, rules, requirements, and regulations); will not affix or install any accessory, equipment or device on any Equipment leased hereunder, if such addition will impair the originally intended function or use of said Equipment. All additions, repairs, replacements, parts, supplies, accessories, equipment and devices furnished, attached or affixed to any Equipment (except such as may be removed without impairing the originally intended

function or use of such Equipment shall thereupon become the property of Lessor.

(c) Any alterations or modifications with respect to the Equipment that may at any time during the term of this Lease be required to comply with any applicable law or any governmental rule or regulation shall be at the expense of Lessee.

(d) Lessee agrees to prepare and deliver to the Lessor, within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of Lessor) any and all reports required to be filed by the Lessor, by any Federal, State, or other regulatory authority by reason of the ownership by the Lessor of the Equipment or the leasing of the Equipment to the Lessee.

(9) INSURANCE.

At Lessee's expense, Lessee shall procure and maintain in full force and effect, in a responsible insurance company acceptable to

Lessor, insurance in an amount not less than the aggregate sum of the applicable Estimated Market Value of the Equipment leased hereunder, insuring Lessor, Lessee and Secured Party, as their interests may appear, against loss and/or damage to the Equipment arising out of any risk covered by fire and extended coverage. All such insurance shall cover the period from delivery of the Equipment to Lessee to the date of termination of the Lease with respect thereto, and the redelivery of the Equipment to Lessor, and shall provide for Ten (10) days prior written notice to Lessor of any cancellation or reduction in coverage. Lessee shall deliver to Lessor, prior to the commencement of the Lease, or prior to the effective date of any cancellation or expiration of such insurance, as the case may be, the insurance policy, a certificate or other evidence of the maintenance of all such insurance, satisfactory to Lessor; provided, however, that Lessor shall be under no duty to examine such policies, certificates or other evidence of insurance, or to advise Lessee in the event that its insurance is not in compliance with this Lease. In the event of failure on the part of Lessee to provide the aforesaid insurance, Lessor may, at its option, provide such insurance and add the amount of the

premiums to the next rental installment, together with interest thereon at the rate of Eight Per Cent (8%) per annum on the amount of such payment from the date thereof, until paid. The proceeds of such insurance whether resulting from loss, damage, return premium, or otherwise, shall be payable to Lessor, Lessee and Secured Party, as their interests may appear. If Lessee should be in default under Section 15 hereof, Lessee hereby appoints Lessor as Lessee's Attorney-in-Fact to make claim for, receive payment of and execute or endorse all documents, checks or drafts for loss, damage, return premium or otherwise under any insurance policy issued on the Equipment.

(10) DISCLAIMER OF LIABILITY--INDEMNITY. Lessor shall not be liable for, and Lessee's obligations hereunder shall not be diminished because of, any loss, claim, demand, liability, cost, damage or expense of any kind to Lessee, its customers, or anyone else, caused or alleged to be caused, directly or indirectly, by the Equipment, any inadequacy thereof for any purpose, any defect therein, the use or maintenance thereof, any repairs, servicing or adjustments thereto or any delay in providing or failure to provide the same, any interruption or loss of service or use thereof, or any loss of business, proceeds, consequential, or any other damage of any nature.

Lessee shall indemnify and hold Lessor harmless against any and all claims, demands, liabilities, losses, damages, and injuries, of

whatsoever kind and nature, and all fees, costs, and expenses relating to or in any way arising out of the events disclaimed above; and the possession, maintenance, use, operation, control, loss, damage, destruction, removal, return, surrender, sale or other disposition of the Equipment. The foregoing indemnity shall not be affected by any termination of this Lease or the Lease with respect to any item of Equipment.

(11) TERMINATION OF LEASE OF EQUIPMENT
THROUGH LOSS OR DESTRUCTION.

Lessee shall bear all risks of loss, damage or destruction of the Equipment during the Lease Term with respect thereto. In the event of damage to or loss, secretion, destruction of any item of Equipment, either in whole or in part, Lessee will pay to Lessor the Estimated Market Value of said item, or the portion of the item affected, if the value and use of the remainder of the item is not affected at the time of such occurrence (except to the extent that Lessor receives proceeds of insurance covering such item) plus any indemnification pursuant to Section 18. Lessor may, at its option, apply proceeds of insurance in whole or in part as follows: (i) to repair or replace the item, or any portion thereof, (ii) against any obligations of Lessee pursuant to Section 18, (iii) to afford Lessee a prorata reduction in rent payments attributable to the item, or any portion thereof, (iv) to satisfy

any obligations hereunder of Lessee to Lessor.

(12) TERMINATION OF LEASE THROUGH
THE SURRENDER BY LESSEE.

Upon the expiration of the basic term, or any extended term, of the Lease, with respect to the Equipment, or upon occurrence of any event of default set forth in Section 15 and upon request of Lessor, Lessee shall deliver possession of said Equipment to Lessor in as good condition as when received, excepting only reasonable wear and tear and damage by any cause covered by collectible insurance. For the purpose of delivering possession of any item of Equipment to Lessor, the Lessee shall, at its own cost, expense and risk:

(a) Forthwith place such item of Equipment upon such storage tracks of the Lessee as Lessor may designate or, in the absence of any such designation, as the Lessee may select after Ten (10) days written notice to Lessor, and

(b) Permit the Lessor to store such item of Equipment on such tracks for a period not exceeding Six (6) months at the risk of Lessor, and

(c) Transport the same, at any time within such six-month period, to any place on the lines

of railroad operated by Lessee or to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage and transportation of Equipment, as above provided, are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Equipment.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of the Equipment to the Lessor, to demand and take possession of the Equipment in the name and on behalf of the Lessee from whomsoever shall be at the time in possession of such Equipment.

(13) REPRESENTATIONS, WARRANTIES AND COVENANTS

To induce Lessor to enter into this Lease, Lessee represents, warrants and covenants:

- (a) Lessee is a corporation duly organized and existing in good standing in the State of North Carolina

and is duly authorized where its operations or ownership of property require such authorization or licensing.

(b) Lessee's financial statements, dated as of August 31, 1972, all of which have been heretofore submitted to Lessor, present fairly and accurately the financial condition of the Lessee as of said date. Since the date of said statements, there has been no material adverse change in the financial condition or operations of Lessee.

(c) The execution of this Lease and the execution of each other document in accordance herewith, or as may be necessary in connection herewith, and the consummation of the transactions herein contemplated, do not violate any provisions of the Articles of Incorporation or Bylaws of the Lessee or any agreement or undertaking to which it is a party or by which it is bound.

(d) Lessee has taken all such corporate action as is necessary to authorize the execution of this Lease and the execution of each other document in accordance herewith, and this Lease, and all other documents herein contemplated, when executed and delivered, will be valid

and binding acts and obligations of Lessee. The taking of any and all action herein contemplated by Lessee has been duly authorized and approved by a resolution of the Board of Directors of the Lessee, adopted on 1972, and none of said acts require the consent, approval, or authorization of any public regulatory body. Lessee shall deliver to Lessor, at the time of the execution of this Lease, a certified copy of the aforesaid resolutions.

(e) That it will deliver to Lessor, within Forty Five (45) days after the end of each quarterly accounting period, a balance sheet, profit and loss statement and surplus statement, all in reasonable detail and all certified by its chief financial officer.

(f) That it will deliver to the Lessor, within Ninety (90) days after the end of each fiscal year, a balance sheet, profit and loss statement and surplus statement for the year, all in reasonable detail, prepared in accordance with generally accepted accounting principles, consistent with the preceding year, and certified by its chief financial officer. In addition, Lessee will deliver to Lessor, copies of all quarterly and annual reports filed with the ICC, the same to be supplied within 30 days of filing.

(g) That it will permit any officer of the Lessor, or any person designated by any of the officers of the Lessor, in writing, to visit and inspect any of its property, corporate books and financial records, at such reasonable times from time to time as the Lessor, or the person designated by Lessor, may request.

(h) That it will not pay fees, of any nature, to its parent, Nello L. Teer Company, Inc., in excess of \$10,000 in any one year.

(i) That it will not pay dividends, in any one year, in excess of Fifty Per Cent (50%) of net profit in excess of \$25,000 for said year, commencing with the current calendar year.

(j) That it will not redeem any shares of capital stock or make any other distribution to shareholders.

(k) That it will not lend or make advances to others or incur any contingent liability as guarantor of debts or obligations of others.

(l) That it will not enter into any merger or consolidation with any other business entity or make any sale or lease or transfer of any substantial part of

its assets without the prior written consent of the Lessor.

(14) CONDITIONS. The obligation of the Lessor to lease the Equipment is subject to the satisfaction of the following further conditions by the Lessee:

(a) The filing and recording of this Lease with the Interstate Commerce Commission, in accordance with Section 20(c) of the Interstate Commerce Act, shall have been accomplished.

(b) To the extent that the nature of this Lease requires the filing of a financing statement under the Uniform Commercial Code of any state, such financing statement shall have been executed and filed in the proper filing office of such state, and Lessor shall have been furnished with evidence that there is no other financing statement or other notice of recording affecting such Equipment.

(c) Lessor shall have received certified resolutions from the Board of Directors of the Lessee authorizing this transaction, all in form satisfactory to counsel for Lessor.

(d) Lessor shall have received an official

certificate of good standing from the State of North Carolina as to the corporate status of Lessee.

(e) Lessor shall have received an opinion of counsel from the Lessee dated the date of making of the Lease, and addressed to Lessor in form and substance satisfactory to counsel for Lessor.

(15) DEFAULT BY LESSEE. If Lessee defaults in the payment of rent for a period of Five (5) days after written notice or if Lessee defaults in the observation or performance of any other obligations or covenants of Lessee under this Lease or any agreement executed pursuant hereto, or breaches any representation or warranty of Lessee under, or with respect to this Lease, or if any indebtedness of Lessee becomes or is declared to be due and payable prior to its expressed maturity by reason of any default by Lessee in the performance or observance of any loan agreement, debenture agreement, or similar agreement; or if any representation, covenant or warranty made by Lessee in this Lease or in any other report, schedule, or other instrument submitted in connection with this Lease, shall prove to have been inaccurate in any material respect; or if a petition under any Chapter of the Bankruptcy Act, as amended, or for the appointment of a receiver of any part of the property of Lessee, or any other proceedings for the relief

of debtors, be filed against or by Lessee, or if Lessee should make a general assignment for the benefit of creditors, suspend business, become insolvent or commit any act amounting to a business failure, make any change in, or termination of Lessee's corporate existence, or if a notice of federal tax lien is filed against the Lessee, the Equipment, or any of Lessee's property, or if levy of attachment or any other type of tax lien is filed against Lessee affecting the Equipment, and if such levy of attachment or other type of tax lien is not discharged within Thirty (30) days thereafter, then, and in any of such events, Lessor, at its option, may do one or more of the following:

(a) Declare the balance of the rent and all other amounts due hereunder immediately due and payable, and upon any such declaration, the same, plus the aggregate amounts of any installments of rent and any other sums then accrued and unpaid, shall be due and payable forthwith.

(b) Terminate this Lease and take immediate possession of any or all of the Equipment wherever situated, and for such purposes, enter upon any premises without liability for so doing.

(c) Lease any or all of the Equipment

upon such terms as Lessor may from time to time elect, and apply the net proceeds on Lessee's obligations hereunder, and

(d) Sell all or any part of the Equipment at one or more public or private sales, upon such terms as Lessor may from time to time elect, without any duty to account to Lessee, and Lessee shall remain liable for all rents and other amounts due under this Lease as determined in subsection (a) above, plus any and all other costs, expenses and damages, including (without limitation) reasonable attorneys' fees and legal expenses, which Lessor may sustain by reason of such default by Lessee. Lessee shall also be liable for the amount of any deficiency existing between the Net Proceeds of Sale and the Estimated Market Value of the Equipment on the date of sale, plus any indemnification pursuant to Section 18.

Any default under the terms of any Lease Agreement or any Schedule executed by and between Lessor and Lessee may be declared by Lessor to be a default under the terms of any other Lease Agreement or Schedule by and

between Lessee and Lessor.

Failure or delay on the part of Lessor in exercising the remedies in this Lease shall not be deemed to be a waiver of the right to exercise such remedies in the future. All remedies provided to the Lessor shall be cumulative and shall be in addition to any other rights conferred upon the Lessor either in law or in equity.

(16) ASSIGNMENTS AND SECURITY INTERESTS. Lessor may finance its Acquisition Cost of the Equipment through Secured Party and secure Secured Party by granting a security interest or other lien in the Equipment, this Lease and the sums due under this Lease. In such event (a) the lien instrument or security agreement will specifically provide that it is subject to Lessee's rights as herein provided; (b) such assignment of this Lease will not relieve Lessor from its obligations hereunder or be construed to be an assumption by Secured Party of such obligations (but Secured Party may perform at its option some or all of Lessor's obligations); (c) upon request by Secured Party, Lessee will make all payments of rental and other amounts payable hereunder directly to Secured Party; (d) Lessee's obligations hereunder, including (without limitation) its obligation to pay Rental and other sums due hereunder, shall not be subject to any reduction, abatement, defense, set-off, counterclaim, or recoupment for any reason whatsoever, which, however, shall not prevent Lessee from asserting such claim separately

against Lessor, and (e) Lessee will not, after obtaining knowledge of any such assignment, consent to any modification of this Lease without the consent of Secured Party.

(17) QUIET ENJOYMENT. Lessor does hereby covenant with Lessee that Lessee will quietly possess the Equipment under this Lease, subject to and in accordance with the provisions hereof, so long as Lessee is not in default hereunder.

(18) INVESTMENT TAX CREDIT INDEMNIFICATION. For United States corporation income tax purposes (and to the extent allowable for state and local tax purposes), Lessor or the affiliated group of which Lessor is a part intends to take the investment tax credit for new property in an amount equal to Seven Per Cent (7%) of its Acquisition Cost for the Equipment and to deduct accelerated depreciation.

(a) If there shall be a disallowance, elimination, reduction or disqualification (hereinafter called a "Loss") in whole or in part, of said investment tax credit for the Equipment, or any part thereof, Lessee shall, upon request of Lessor, pay to Lessor as additional rent an amount equal to the amount of the Loss of investment tax credit multiplied by a fraction the numerator of which is 100 and the denominator of which

is 100 minus the maximum effective corporate rate of United States income tax multiplied by 100 for the year in which the Loss occurs (such fraction is now

$$\frac{100}{100 - (.48) (100)}).$$

Such rate shall be adjusted for any changes in the tax laws after the date hereof, including changes affecting or concerning normal and surtax rates, surcharges, excess profit taxes and other similar taxes, however denominated.

(b) If there shall be a disallowance, elimination, reduction, or disqualification (hereinafter called a "Loss") in whole or part, of said deduction of depreciation for the Equipment or any part thereof, based on the Acquisition Cost of such Equipment to Lessor, Lessee shall, upon request of Lessor, pay to Lessor additional rent to compensate Lessor for the consequent lost cumulative deferral of income tax liability (hereinafter called "Detriment"), existing thereafter from time to time, as determined by Lessor. For purposes of definition and explanation, "Detriment" would be equal to

the amount of cumulative additional income tax required to be paid by Lessor or the affiliated group of which Lessor is a part on any increased taxable income from the time of Loss to the end of the Term of the Lease resulting from (i) the Loss and (ii) any increased taxable income during any or all years of the Term of the Lease as a consequence of the adjustments which relate to the Loss. Said additional rent shall be an amount equal to Eight and One-Half Per Cent ($8\frac{1}{2}\%$) per annum multiplied by the Detriment applicable to each individual rental period and further adjusted to provide for payment in equal amounts with each subsequent periodic rent payment commencing with the first periodic rent payment not less than Five (5) days after Lessor notified Lessee of the required additional rent. This indemnification is intended to reimburse and make Lessor whole for any increase in Lessor's investment over the Term of the Lease resulting from a loss of income tax deferrals. In the event of a Loss of the whole of deduction for depreciation for such Equipment, at any time thereafter, Lessee shall have the right to prepay rent for the remaining Term of this Lease

and to thereupon receive a prepayment discount of the Lessor's unearned leasing charges in an amount based upon the normal practice of Lessor and Lessor's affiliates (Lessee shall not thereby have any rights to Equipment after the expiration of the Lease Term).

(c) For purposes of this Section 18, a Loss shall occur upon the earliest of (i) the happening of any event (such as disposition or change in use of the Equipment) which may cause such Loss, (ii) the payment to Internal Revenue Service of the tax increase resulting from such Loss, or (iii) the adjustment of Lessor's tax return or of a consolidated tax return of which Lessor is a part to reflect such Loss. Lessee will also pay any interest and penalties paid or which would be payable to the taxing authority or jurisdiction if there were no other adjustment to said tax return; provided, however, that interest shall not run after the payment by Lessee to Lessor of the full amount of any indemnification then requested by Lessor. Lessor shall be responsible for, and shall not be entitled to a payment under this Section 18 on account

of, any Loss due solely (i) to limitation on investment credit due to lack of available income tax liability of Lessor or the affiliated group of which Lessor is a part, (ii) to disqualifying disposition due to sale of Equipment or the lease by Lessor prior to any default by Lessee, or (iii) to failure of Lessor to timely claim investment tax credit and depreciation for Equipment in Lessor's tax return.

The foregoing indemnities shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the benefit of, and shall be enforceable by, Lessor, its successors and assigns.

(19) MISCELLANEOUS.

(a) Time is of the essence hereof.

(b) This Agreement is, and is intended to be, a lease, and Lessee does not acquire hereby any right, title or interest in or to the Equipment, except the right to use the same under the terms hereof.

(c) Lessee agrees, at its expense, promptly upon Lessor's written request, to execute,

acknowledge and deliver such instruments, and to take such other action as may be reasonably necessary in the opinion of Lessor, or its counsel, to protect Lessor's interests, including, but without limitation, the execution of Financing Statements under the Uniform Commercial Code; the filing and recording of this Lease with any Federal or State regulatory agency requiring the filing and recording of same.

(d) In case of failure of Lessee to comply with any provision of this Agreement, Lessor shall have the right, but shall not be obligated to, effect such compliance in whole or in part, and all monies spent by, and expenses of, Lessor, shall be paid by Lessee forthwith and shall bear interest at the rate of Eight Per Cent (8%) per annum, but not to exceed the maximum lawful contract rate, if not so paid. Lessor's effecting such compliance shall not be a waiver of Lessee's default. All such monies spent by, and expenses of, Lessor, and any other obligations assumed or incurred by Lessor in effecting such compliance shall constitute additional rent payable to

Lessor promptly upon demand.

(e) Any provision of this Lease and any Schedule which is in conflict with any statute, law or rule shall be deemed omitted, modified, or altered to conform thereto. The invalidity of any portion of this Lease shall not affect the force and effect of the remaining valid portions hereof.

(f) Lessor shall have the right to inspect the Equipment at any reasonable time or times, and for this purpose to enter upon any building or place where the Equipment is located, subject to any applicable governmental laws, regulations and rules concerning industrial security.

(g) No agent or employee of any supplier or manufacturer is authorized to bind Lessor to this Agreement or any Schedule, or to waive, alter or add to the terms and conditions printed herein and in any Schedule.

(h) All notices shall be binding upon the parties hereto if sent to the address set forth herein (unless a subsequent address has been furnished) by certified mail, by one party to the other.

(i) All payments provided to be made by the Lessee to the Lessor herein, of any nature, shall be made in United States dollars and sent to the address of Lessor set forth herein (unless a subsequent address has been furnished).

(j) The relationship between Lessor and Lessee shall always and only be that of Lessor and Lessee. Lessee shall never at any time during the term of this Lease for any purpose whatsoever be or become the agent of the Lessor, and Lessor shall not be responsible for the acts or omissions of Lessee or its agents.

(k) This Lease constitutes the entire agreement between the parties hereto with respect to the Equipment, and any change or modification hereto must be in writing and signed by the parties hereto.

(20) SPECIFIC REPRESENTATION. LESSOR IS NOT A MANUFACTURER OR VENDOR OF THE EQUIPMENT, AND HAS NOT AND DOES NOT HEREBY MAKE ANY REPRESENTATION, WARRANTY OR COVENANT WITH RESPECT TO MERCHANTABILITY, FITNESS FOR ANY PURPOSE, CONDITION, QUALITY, DURABILITY OR SUITABILITY OF THE EQUIPMENT IN ANY RESPECT

OR IN CONNECTION WITH, OR FOR THE PURPOSES OR USES OF LESSEE,
OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND
OR CHARACTER EXPRESSED OR IMPLIED, WITH RESPECT THERETO.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease
to be executed as of the day and year first above written.

WITNESSES:

AMERICAN FINANCIAL LEASING &
SERVICES CO.

Margaret Hubbard

BY:

R. C. Lintz
R. C. Lintz, Vice President
and Treasurer

Rose A. Rice

DURHAM AND SOUTHERN RAILWAY
COMPANY

Billy R. Carter

BY:

R. D. Tice

Robert D. Tice

STATE OF

)

:

SS.

COUNTY OF

)

BEFORE ME, a Notary Public, in and for said County and State,
personally appeared R. C. Lintz, Vice President and Treasurer of

American Financial Leasing & Services Co., the corporation which executed the foregoing Lease, who acknowledged he did sign said Lease as such officer on behalf of said corporation and by authority of its Board of Directors, and that the execution of said Lease is his free and voluntary act and deed individually and as such officer, and the free and voluntary act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my Notarial Seal this 27th day of December 1972.

Rose A. Price
Notary Public

STATE OF North Carolina
COUNTY OF Durham; SS.

ROSE A. PRICE
Notary Public, Hamilton County, Ohio
My Commission Expires April 13, 1977

BEFORE ME, a Notary Public in and for said County and State, personally appeared R. Willard Lee, Exec. V. Pres., of DURHAM AND SOUTHERN RAILWAY COMPANY, the corporation which executed the foregoing Lease, who acknowledged he did sign said Lease as such officer on behalf of said corporation and by authority of its Board of Directors, and that the execution of said Lease is his free and voluntary act and deed individually and as such officer, and the free and voluntary act and deed of said corporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my Notarial Seal this 22nd day of December, 1972.

Betty Jean Jeffries Hudson
Notary Public

By Com. Expires
June 28, 1975

EXHIBIT

RENTAL AND ESTIMATED MARKET VALUE

Rental and Estimated Market Value for equipment having an acquisition cost of \$1,000.

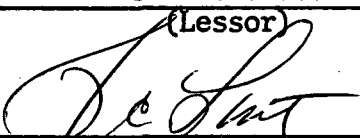
Daily Rent For Partial Month \$0.30
Quarterly Rent \$25.94

<u>END OF</u> <u>QUARTER</u>	<u>ESTIMATED</u> <u>MARKET VALUE</u>	<u>END OF</u> <u>QUARTER</u>	<u>ESTIMATED</u> <u>MARKET VALUE</u>
1	1204.65	31	789.95
2	1200.72	32	774.83
3	1196.42	33	759.34
4	1191.75	34	743.47
5	1186.70	35	727.23
6	1181.29	36	710.62
7	1175.50	37	693.64
8	1169.33	38	676.28
9	1162.79	39	658.55
10	1155.88	40	640.44
11	1148.60	41	621.97
12	1096.07	42	603.12
13	1088.04	43	583.89
14	1079.64	44	564.30
15	1070.86	45	544.33
16	1061.71	46	523.98
17	1052.19	47	503.27
18	1042.29	48	482.18
19	1032.02	49	460.71
20	976.51	50	438.88
21	965.50	51	416.67
22	954.11	52	394.09
23	942.35	53	371.13
24	930.21	54	347.80
25	917.70	55	324.10
26	904.82	56	300.03
27	891.57	57	275.58
28	833.07	58	250.76
29	819.07	59	225.57
30	804.70	60	200.00

AMERICAN FINANCIAL LEASING &
SERVICES CO.

(Lessor)

BY:


R. C. LINTZ, SR. VICE PRESIDENT
& TREASURER

DATE:

12-27-72

DURHAM AND SOUTHERN
RAILWAY COMPANY

(Lessee)

BY:



DATE:

December 27, 1972

MASTER LEASE SCHEDULE One

EQUIPMENT LOCATION:

Durham & Southern Railway Co.

P. O. Box 1131

Durham, North Carolina 27702

LEASE NUMBER 0370

INITIAL LEASE TERM 180 months

COMMENCEMENT DATE December 27, 1972
60 quarterly payments, paid
in arrears beginning March 2
1973

QTY.	DESCRIPTION	SERIAL NUMBER	COST	RENT FOR EACH <u>quarter</u> FULL MONTH(S) OF LEASE TERM
4	2000 H.P. Model GP38-2 Diesel Locomotives bearing Durham and Southern Railway Road #s 2000, 2001, 2002 and 2003			
TOTAL			\$950,478.93	\$24,655.42

EXECUTED AND AGREED TO THIS 27th DAY OF December, 1972 AS A SCHEDULE TO AND PART OF THE
MASTER LEASE AGREEMENT BETWEEN LESSOR AND LESSEE DATED AS OF THE 27th DAY OF December, 1972

LESSEE:

LESSOR

AMERICAN FINANCIAL LEASING & SERVICES CO.

DURHAM AND SOUTHERN RAILWAY COMPANY

BY: R. C. Lintz Title Sr, Vice Pres. & Treas.

BY: R. Dillard Teer Title Executive Vice President

BY: _____ Title _____